

Grantville Redevelopment Project Area Five-Year Implementation Plan, FY 2005-2010 Mid-Year Progress Report

This Mid-Year Progress Report for the Grantville Redevelopment Project Area has been prepared in accordance with California Health and Safety Code Section 33490(c), which requires every redevelopment agency, at least once during the five-year term of each implementation plan, to conduct a public hearing and hear testimony of all interested parties for the purposes of reviewing the redevelopment plan and the corresponding implementation plan for each redevelopment project and evaluating the progress of the redevelopment project.

The Grantville Redevelopment Plan (“Redevelopment Plan”) was adopted by the City Council on May 3, 2005, and is administered by the Redevelopment Division of the City’s City Planning and Community Investment Department. The Redevelopment Plan, which covers a 990-acre Grantville Redevelopment Project Area (“Project Area”), was adopted to eliminate conditions of blight within the boundaries of the Project Area by facilitating new construction, revitalization and upgrading of industrial and commercial, and public properties and revitalization of facilities within the surrounding Project Area. The First Five-Year Implementation Plan was adopted on May 3, 2005 as Section C in the Report to the City Council. There have been no amendments to the First Five-Year Implementation Plan for the Project Area.

Progress under the Redevelopment Plan was hampered by a redevelopment lawsuit filed in 2005 by the County of San Diego against the City of San Diego (“City”) and the Redevelopment Agency (“Agency”) challenging the validity of the Redevelopment Plan (the “2005 Litigation”). In 2008, the parties reached a settlement with respect to the 2005 Litigation and beginning in Fiscal Year 2008-2009 the Agency commenced receiving tax increment revenue (both past and current).

PLAN OBJECTIVES

The Grantville Redevelopment Plan strives to eliminate blight in the Project Area by assisting with rehabilitation and new construction of commercial and industrial areas and upgrading of public infrastructure, facilities, open space and parks. The Grantville Redevelopment Advisory Committee established the following Implementation Activity Priorities:

1. Traffic and circulation congestion relief
2. Community Plans update
3. Improve infrastructure to alleviate flooding problems
4. Renovation and repair of existing structures
5. Coordination and assistance to implement the San Diego River Master Plan

6. New development projects

The First Five-Year Implementation Plan further delineates the Agency's redevelopment objectives for the Project Area. These objectives, which are listed below, were employed to formulate the overall strategy for the First Five-Year Implementation Plan.

1. Eliminate and prevent the spread of blight and deterioration, as well as redevelop the proposed Project Area in accordance with the General Plan, applicable community plans, the Redevelopment Plan, and local codes and ordinances as these documents exist or may be amended in the future;
2. Improve the flow of traffic through the development of a circulation network that will provide for less congested access to the Mission Gorge corridor and Grantville industrial area, without adversely affecting surrounding residential communities and facilitate traffic and pedestrian enhancements that adequately support land uses, while improving the safety and viability of the Project Area and the surrounding communities. This should include comprehensive coordination of the multiple municipal agencies that have responsibility for planning and land use, traffic control, and funding;
3. Improve public infrastructure and undertake other public improvements in, and of benefit to, the Project Area including: preparation of a comprehensive Public Facilities Financing Plan to address short and long term infrastructure improvements; storm drain improvements (particularly to properties affected by the Alvarado Creek and San Diego River); widening, reducing or otherwise modifying existing roadways or creating additional streets, walkways, and paths for proper pedestrian, bicycle and/or vehicular circulation; and undergrounding electrical distribution lines and telephone lines along major streets;
4. Alleviate the shortage of commercial and industrial parking while avoiding negative impacts on residential neighborhoods by implementing a coordinated and comprehensive plan for the proportional distribution and proper configuration of parking spaces and facilities for existing and future uses;
5. Create an attractive and pleasant environment within the Project Area through streetscape enhancements, revitalization of incompatible uses and obsolete buildings and other viable measures;
6. Enhance economic growth within the Project Area by continuing ongoing efforts to revitalize commercial and industrial areas, particularly the commercial corridor along Mission Gorge Road;
7. Expand employment opportunities in the Project Area for adjacent residents by encouraging the development of professional enterprises and improving accessibility of employment centers within and outside the Project Area;

8. Explore opportunities in the Project Area for development of mixed residential and commercial uses particularly transit-oriented residential development to take advantage of nearby multi-modal transit system;
9. Focus on the retention and expansion of neighborhood supporting businesses in the Project Area. Ensure the continued viability of the commercial and industrial districts in the face of growing competition from contemporary developments;
10. Ensure that the appearance and character of industrial uses are compatible with the character of the surrounding commercial and residential areas;
11. Address urban runoff and industrial pollution issues to minimize negative impacts on sensitive environmental resources and to optimize the environmental assets of the Project Area such as the San Diego River and Mission Trails Regional Park;
12. Expand community serving recreational opportunities in the Project Area through rehabilitation and expansion of existing park and recreation facilities as well as adding park and recreation facilities and integrating environmentally sensitive recreation activities along the San Diego River, particularly for residents in and near the Project Area and in coordination with nearby school facilities;
13. Support habitat conservation and restoration along the San Diego River in coordination with developed plans for the area and in concert with other related municipal and private entity activities;
14. Improve and/or develop public facility assets and amenities such as schools, community centers, libraries, senior centers, and other community-serving facilities; and
15. Protect the heritage of the Project Area through the preservation of historical sites.

ACTIVITY

The steps listed below have been taken in furtherance of the Redevelopment Plan, and the implementation activity priorities with which the step is associated have been noted.

The **Grantville Housing Enhancement Loan Program (“HELP”)** was established on July 25, 2006, to provide low-and-moderate income homeowners with housing funds from the Project Area to provide home rehabilitation loans. Due to the 2005 Litigation, the Agency was not able to provide tax increment funding for HELP. Additionally, it was not able to enter into an agreement with the San Diego Housing Commission to have HELP managed and administered.

[Priority: Renovation and repair of existing structures]

- Funding for the program and revisions to program guidelines are scheduled for Agency meeting in July 2009.

The **Grantville Enhanced Storefront Improvement Program (“ESIP”)** was established on July 25, 2006 to assist small business owners and owners of small commercial properties in rehabilitating the commercial facades of their properties for the purpose of creating a positive visual impact, stimulating private investment, retaining existing commercial and professional enterprises and complementing other community revitalization efforts. Due to the 2005 Litigation, the Agency was not able to provide tax increment funding for ESIP. Additionally, it was not able to enter into an agreement with the City of San Diego’s Office of Small Business to have the program managed and administered under the City-wide Storefront Improvement Program. Funding for this program is expected to be considered by the Agency in Fiscal Year 2009-2010.

[Priority: Renovation and repair of existing structures]

The City Engineering Department has been working with Agency staff on the **Realignment of Alvarado Canyon Road** (CIP No. 52-713.0) since late 2007. The realignment of Alvarado Canyon Road is expected to provide some congestion and access relief for the Mission Gorge corridor. City Engineering has prepared a preliminary study regarding alternative alignments for Alvarado Canyon Road. Due to the 2005 Litigation, the Agency was not able to provide tax increment funding for the preliminary study. *[Priority: Traffic and circulation congestion relief]*

- The City Engineering Department began preliminary engineering and the environmental process in Fiscal Year 2007 and completed the process in Fiscal Year 2009.
 - The preliminary study was allocated \$450,000 of Transnet funds in Fiscal Year 2007.
 - City Engineering conducted a competitive bidding process for the selection of a engineering consultant and entered into a contract with Moffatt & Nichol for \$370,000 to prepare a preliminary study in Fiscal Year 2008.
 - The preliminary study was completed in Fiscal Year 2009.
- The Agency is expected to consider allocating \$600,000 of Grantville tax increment funds for one-half of the follow-up engineering studies and the environmental process (estimated to total \$1.2 million) in Fiscal Year 2010.
- The City has requested Federal funding of \$600,000 for one-half of the follow-up engineering studies and the environmental process (estimated to total \$1.2 million) in Fiscal Year 2010.

The Community Planning Division of City Planning and Community Investment Department has been working with Agency staff on the **Grantville Master Plan** (Community Plan Amendment). Due to the 2005 Litigation, the Agency was not able to provide tax increment funding for the start of the Grantville master planning effort.

[Priority: Community Plan update]

- On June 12, 2007, the City Council initiated Community Plan Amendments to the Navajo and Tierrasanta Community Plans for the preparation of a master plan for Subareas A and B of the Grantville Redevelopment Project Area.
- The Community Planning Division formed and has been working with the Grantville Stakeholders Committee (“Committee”) since August 2007.

- The Committee is comprised of twenty-one (21) members. Twenty (20) of the Committee members were selected by at a public lottery, which was held on September 24, 2007.
- A public announcement regarding the formation of the Committee and lottery meeting, and Committee applications were mailed and emailed to property owners, business owners, community organization/institutions and interested parties prior to the lottery meeting.
- Business owners were designated six (6) positions, property owners were designated eight (8) positions, and existing community/institutional organizations were designated six (6) positions. The business and property owner positions were divided into three geographic areas (Subarea A northwest, Subarea A southeast and Subarea B).
- Subsequent to the lottery meeting City Council Member Madaffer selected the chair of Navajo Planners to chair the Committee. The Committee selected the vice-chair and secretary.
- The first public meeting of the Committee was on November 13, 2007 and there have been thirteen (13) noticed public meetings since.
- The Purchasing & Contracting Department and Community Planning Division conducted a competitive bidding process for the selection of a planning consultant for Subarea A.
 - On April 8, 2008, the City Council appropriated \$792,181 from the General Fund Appropriated Reserve for the preparation of the Grantville Master Plan and approved a planning services consultant contract with ICF, Jones & Stokes to prepare a master plan for Subarea A.
- The Community Planning Division invited economic consultants for Subarea A from a list of pre-approved economic consultants which was compiled after a competitive bidding process by the Economic Development Division.
 - In Fiscal Year 2009, the Community Planning Division selected an economic consultant and entered into a contract with Economics Research Associates (ERA) for \$120,000 to prepare an economic analysis for the master plan for Subarea A.
 - In Fiscal Year 2009, Agency allocated \$120,000 of Grantville tax increment funds for the economic consultant contract for the master plan for Subarea A.
- On January 21, 2009 the Planning Consultant for the update attended the Allied Gardens Community Council meeting to present the visual preference survey.
 - Approximately 50 community members were in attendance and 28 of those members stayed after the meeting ended and filled out the extensive survey.
 - At this meeting the community was invited to attend the upcoming walking audit and 3-day charrette.
 - Notices and information about the walking audit and 3-day charrette were also distributed.
- On Saturday, January 24, 2009 a walking audit was conducted of Subarea A.
 - A strategic route through Subarea A, approximately 3 miles, was walked by all attendees and staff, approximately 65 individuals.

- Participants were organized into groups, provided with a map and route instructions, city staff members and consultant team members led the groups and took notes regarding observations.
- Comments and observations of participants were noted. General observations regarding physical conditions of Subarea A and needs for improvement were documented.
- On January 29, 30 and 31, 2009, a 3-day public charrette was held in a vacant warehouse within Subarea A.
 - Approximately 100 community members participated throughout the 3-day portion of the charrette
 - The economic consultant (ERA) presented existing market conditions.
 - The urban sub-consultant (Civitas, Urban Design) presented and discussed the results of a Visual Preference Survey.
 - There were break-out sessions regarding parks and open space, land use, and traffic and transportation
 - At the end of the charrette (January 31, 2009), four refined draft land use alternatives (schemes) were presented and public input was provided. More than 70 community members attended this Saturday afternoon presentation.
 - The Agency reimbursed Agency and City staff for \$1,988 for their out of pocket costs for the charrette. Those costs included leasing the meeting space, renting tables and chairs, providing food and refreshments and other miscellaneous expenses.
- The Purchasing & Contracting Department and Community Planning Division conducted a competitive bidding process for the selection of an environmental consultant for Subarea A.
 - On May 12, 2009, the Agency authorized transferring \$542,351 of Grantville tax increment funds to the City, \$288,927 for the environmental consultant contract and \$253,424 for City staff review and non-personnel expenses for the master plan for Subarea A.
 - On May 12, 2009, the City Council appropriated \$288,927 for the environmental consultant contract with BRG Consulting for the preparation of the Environmental Impact Report (EIR) for the master plan for Subarea A.

The programs and activities in the Five-Year Implementation Plan do not anticipate the use of eminent domain.

FINANCIAL RESOURCES

Table 1 below present's five-year tax increment revenue projections from Fiscal Years 2005/06 through 2009/10 based on the financial analysis included in Section E of the Report to City Council dated March 28, 2005.

Additionally, Table 1 shows the prospective allocation of tax increment revenue to taxing entities, non-housing projects, and housing projects. Over the first five years of the Redevelopment Plan, the Agency anticipated collecting a total of \$1,064,640, in housing fund revenue and a total of \$3,193,920 in non-housing fund revenue, after payments to taxing entities.

It should be noted that these are revenue estimates and actual funds available could either increase or decrease depending on the level of actual growth in the assessed valuation of the Project Area.

TABLE 1						
PROJECTED REVENUES FOR IMPLEMENTATION						
GRANTVILLE REDEVELOPMENT PROJECT AREA						
Fiscal Year	Gross Tax Increment Revenue	Taxing Agency Payments	Non-Housing Funds		Housing Funds	
			Annual Tax Increment	Cumulative	Annual Tax Increment	Cumulative
2005-06	No Tax Increment Revenue Received Until 2006-07					
2006-07	\$580,076	(\$116,015)	\$348,045	\$348,045	\$116,015	\$116,015
2007-08	\$1,064,388	(\$212,878)	\$638,633	\$986,678	\$212,878	\$328,893
2008-09	\$1,572,709	(\$314,542)	\$943,626	\$1,930,304	\$314,542	\$643,435
2009-10	\$2,106,027	(\$421,205)	\$1,263,616	\$3,193,920	\$421,205	\$1,064,640
TOTAL	\$5,323,200	(\$1,064,640)	\$3,193,920		\$1,064,640	

Source: Section E of the Report to City Council, March 28, 2005.

Note: Non Housing funds are net of statutory tax agency payments.

Table 2 below present's tax increment revenues the Agency has received or has budgeted over the first four year period of this Five-Year Implementation Plan. The Table identifies gross tax increment receipts; low and moderate housing income set aside receipts, and statutory payments to affected taxing entities, and the remaining net revenues allocated to non housing projects. Over the five year period of this Redevelopment Plan, actual revenues received by the Agency for non-housing and housing funds as well as budgeted amounts for Fiscal Year 2008-2009, have been less than what were forecasted at the start of the Redevelopment Plan and most likely is due to the downturn in the economy/real estate market and the 2005 lawsuit which hampered redevelopment activities.

TABLE 2				
ACTUAL & BUDGETED REVENUES FOR IMPLEMENTATION				
GRANTVILLE REDEVELOPMENT PROJECT AREA				
Fiscal Year	Gross Tax Increment Revenue	Taxing Agency Payments	Non-Housing Funds	Housing Funds
2005-06	<i>No Tax Increment Revenue Received Until 2006-07</i>			
2006-07*	\$447,270	(\$89,454)	\$268,362	\$89,454
2007-08*	\$737,256	(\$147,451)	\$442,354	\$147,451
2008-09**	\$749,400	(\$149,880)	\$449,640	\$149,880
TOTAL	\$1,933,926	(\$386,785)	\$1,160,356	\$386,785

Source: Section E of the Report to City Council, March 28, 2005

Note: Non Housing funds are net of statutory tax agency payments

* Actual

**Budgeted

To date, the increase in tax increment revenue has been due principally to new development of Toyota of San Diego and resale activity within the Project Area. The First Five-Year Implementation Plan did note the possibility of issuing a tax allocation bond, based upon projected tax increment receipts. However, tax increment receipts are not yet sufficient to support a tax allocation bond. At such time the Project Area can support a bond issue, the bond proceeds of any bond issue would be secured by Grantville tax increment revenue and not by the City's General Fund.

The Agency and the City as part of the settlement of the 2005 Litigation and to implement the Redevelopment Plan have entered into three Cooperation Agreements with the County of San Diego:

- **Transit Line Cooperation Agreement** – Shall provide to the City an amount of \$31,360,000 to fund a portion of the cost of the construction of transit line improvements on “C” Street between Kettner and Park Boulevards.
[Priority: Traffic and circulation congestion relief]
- **Joint Projects Cooperation Agreement** – Shall provide to the County an amount of \$7,840,000 to fund a portion of the cost of the construction of joint project improvements to benefit the Project Area.
[Priority: Traffic and circulation congestion relief and/or Improve infrastructure to alleviate flooding problems]
- **Housing Credit Cooperation Agreement** – A certain portion of the new affordable housing units constructed in whole or in part with up to \$9,800,000 of the housing fund revenue shall be used to satisfy the County's share of the Regional Housing Needs Allocation established by the San Diego Association of Governments. All of the units will still count toward meeting the Agency's affordable housing requirements. The Housing Fund shall be used to satisfy the agreement. For purposes of this agreement, the “Housing Fund” means twenty percent (20%) of the tax increments allocated to a Low- and Moderate-Income Housing Fund pursuant to the requirements of Health and Safety Code section 33334.2.
[Consistent with Affordable Housing Compliance Plan]

Payments required under the Transit Line Cooperation Agreement and the Joint Projects Cooperation Agreement begin in Fiscal Year 2011-12 with installments paid over 39 years. The Agency has the right to defer payment of the annual payment if in any year the cumulative amount of gross tax increments collected, allocated to, and received by the Agency for the Project Area is less than the cumulative Projected Gross Tax Increments for that year as shown in Exhibit “A” (Schedule of Annual Payments) attached to each agreement. The Agency shall pay to the County of San Diego interest on the deferred payments. Likewise, if a payment is not deferred, an interest expense will not apply. If applicable, the interest rate shall mean, in any year, the interest computed quarterly at the pooled money investment rate of the County of San Diego, as published in the Quarterly Earnings Report or a comparable successor publication.

A private group, known as the Grantville Action Group (“GAG”) filed an action challenging approvals of the City and Agency taken on July 29, 2008, in connection with resolutions and the Cooperation Agreements with the County of San Diego as described above.

AFFORDABLE HOUSING

The provisions of Section 33413(b)(4) of the California Community Redevelopment Law (“CRL”) require the Agency to adopt and periodically update a plan to ensure compliance with the existing criteria of Section 33413 of the CRL regarding the affordability mix of new or rehabilitated housing units. Currently the Project Area does not contain any known residential units.

Due to the absence of existing residential units in the Project Area, the Agency does not anticipate engaging in any activities that could result in the destruction of residential units; therefore, the requirement set forth in CRL Section 33413(b)(4) does not apply. If the destruction of any residential units is required, the Agency will provide suitable locations for replacement housing in compliance with the requirements of CRL Section 33413(a).

The presence of the Grantville Trolley Station in the Project Area provides the opportunity for Transit-Oriented Development that may include residential development. The precise number of units to be developed in the Project Area will be a function of market conditions, conversion of industrial properties to mixed-use properties, revisions to the community plans to allow for mixed-use and residential development, and property owner and developer interest in constructing mixed-use and residential units.

Although the Agency has no approved agreements with private entities to assist with housing construction, if private entity proposals for residential construction are made during this initial five year period, the Agency could assist such development in order to achieve deed-restricted affordable housing. CRL Section 33413(b)(2) requires that 15% of the units be developed for low and moderate income households and of those units, 40% must be made available to very low income households. The Agency does not anticipate engaging in residential rehabilitation activities within the Project Area because of the absence of existing residential units in the Project Area. The Agency will expend Low and Moderate Income Housing Funds to ensure compliance with CRL Section 33334.4.

In order to further affordable housing goals, the Agency intends to use revenue in the Low and Moderate Income Housing Fund and any other appropriate funds available to the Agency under the Redevelopment Plan, including, but not limited to, the City of San Diego’s citywide bond funding for affordable housing, the Department of Housing and Urban Development funds and Community Development Block Grants, and rental subsidies through the Section 8 program. Available low-income housing tax credits and

tax exempt financing mechanisms may also be used by the Agency. Policies and programs such as providing affordable housing incentives for developers, permitting manufactured housing, and inclusionary housing programs will be explored by the Agency.

SUMMARY

While the 2005 Litigation hampered progress on Redevelopment Plan objectives, the Agency was nevertheless able to move forward on several implementation activity priorities. Now that a settlement has been reached and the Project Area is beginning to receive tax increment revenue, the Agency will move forward to reach the established goals and objectives of the Redevelopment Plan.